

# **CDFI Fund Research Initiative Grants—Call for Proposals**

The CDFI Fund of the U.S. Department of Treasury is calling for grant applications from qualified researchers and researcher/practitioner teams to conduct research on various aspects of the CDFI industry. The grants will be for varying amounts depending on the nature of the proposed work, with a general maximum amount of \$100,000. Grant awards will be announced during the week of September 24, 2007, and draft research papers will be due six months later, in late March 2008. Researchers will revise their papers and present them at a meeting in Washington DC during the week of June 23, 2008.

Researchers are invited to submit proposals on a broad range of topics related to the CDFI industry. Topics of special interest to the CDFI fund are detailed below. The Application Requirements description begins on page 4. Note proposal due date of August 10, 2007.

## **Description**

The CDFI Fund anticipates awarding several grants for research up to \$100,000 for six-month projects. Lower amounts will be awarded when appropriate—for example, for research that extends previous work or relies on a modest level of data gathering or data assembly. Higher awards will be considered if the researcher can demonstrate that the funds are needed to address the research question and can show that the work can be completed within the six-month period. Projects that provide new research and innovative approaches are favored, though projects that build on existing research will also be considered. Abt Associates Inc., a research and consulting firm, is managing the grant process for the CDFI Fund.

## **Background**

For many years, the CDFI industry has provided funds to low-income individuals and communities. The industry became more formalized with the establishment of the CDFI Fund at the Department of the Treasury, the granting of Financial Assistance (FA) and Technical Assistance awards to CDFIs for the past decade, and New Market Tax Credit Awards to Community Development Entities (CDEs) over the past several years. Policy makers and professionals in the field believe that the CDFI industry has had positive impacts on its customers, on the communities CDFIs serve, and on the community development finance field overall.

However, there has been little systematic examination of the CDFI industry's effects on the broader housing finance industry and on community development lending. Much of what is known about the industry to date comes from anecdotal information provided by CDFIs. The industry as a whole can benefit from more comprehensive and generalizable information.

Institution-level electronic data has been available since 2001 for a subset of CDFIs that are participating in the CDFI Data Project (CDP). Starting in 2003, some transaction level data has been available from the CDFI Fund's Community Investment Impact System (CIIS). Additional transaction level data will be available each year going forward.

For these reasons, the CDFI Fund is requesting proposals to conduct new, policy-relevant research on the CDFI industry.

## Research Areas

The grants may cover a wide range of policy- or practice-related issues affecting the CDFI industry. Following are four research areas and examples of specific questions that might be addressed by research under each area. While CDFI intends to fund grants that address questions within these research areas, applicants should not consider themselves limited by the list. Any well-conceived research that answers important policy questions related to the CDFI industry will be considered, and CDFI anticipates making some grants outside these four research areas. In addition to projects that answer particular research questions or groups of questions, CDFI would be interested in funding a literature review on CDFI's, their mission, their market roles, and their growth and sustainability.

CDFI expects to make at least one award for a proposed project that will use the CDFI Fund's loan-level CIIS data.

### Research Area 1: CDFIs as Industry Leaders in Community Development Lending

#### *Sample Questions*

- To what extent do CDFIs develop and introduce new products? To what extent are new products introduced by CDFIs adopted by mainstream financial institutions?
- To what extent do CDFIs serve new markets? Do mainstream financial institutions follow CDFIs' leads by serving previously un-served or under-served markets?
- What is the impact on mainstream financial institutions that follow CDFIs' leads by adopting new products or serving new markets?
- What is the impact on consumers of having mainstream financial institutions make new products developed by CDFIs widely available?
- How might CDFIs be compensated (by traditional financial institutions or others) for their research, development and risk-taking in identifying new products or markets?
- Are there trade-offs between the role of CDFIs as innovators and the sustainability of CDFIs as institutions?
- How do the terms, rates and other conditions of CDFI loans compare with loans made by mainstream financial institutions? Are differences in performance consistent with differences in terms?

### Research Area 2: CDFIs in Rural Communities

#### *Sample Questions*

- Have CDFIs been able to meet the needs of rural markets? Served clients well in terms of client satisfaction or loan performance?
- Are relatively small CDFIs that serve a single rural region of a state or that serve rural markets in multiple states as sustainable as larger CDFIs that serve both rural and urban markets? What are the differences in types of clients served, client satisfaction, or loan

performance in rural areas for different types of CDFIs (large and small, size of service area, exclusively rural or both rural and urban)?

### **Research Area 3: CDFIs as Alternatives to Fringe Providers of Banking Services**

#### *Sample Questions*

- How can CDFIs increase their role as an alternative to fringe banking and predatory lending in the financial services or home mortgage lending areas or both?
- What is the role of financial education in encouraging low income households to choose affordable financial services products over fringe/predatory products? What is the relative efficacy of different types or delivery modes of financial education?
- What innovative practices have CDFIs introduced to address the needs of the formerly unbanked or underserved? What is the early evidence on performance of these new forms of financing?
- How could the CDFI Fund support the transfer of new products or best practices developed by CDFIs as alternatives to fringe banking and predatory lending?
- Is there a role for CDFIs in helping to address the consequences of sub-prime mortgage lending?

### **Research Area 4: Roles and Performance of CDFI Fund Programs**

#### *Sample Questions*

- What can the CDFI Fund do to increase the number of certified CDFIs or to expand certified CDFIs among banks and credit unions and into rural areas? What is the impact of the CDFI's current policies and practices?
- The Fund has been supporting the creation and growth of Native CDFIs for four years. Recognizing that four years is a short time in the life cycle of an organization, what evidence exists that the CDFI Fund's Financial Assistance, Technical Assistance and CDFI Fund sponsored training has had an impact on Native CDFIs?
- What can the CDFI Fund do to improve its ratings under the US Office of Management and Budget (OMB)'s Performance Assessment Rating Tool? Would changes to the design of the Fund's programs distinguish them better from other federal or state programs that serve similar purposes? Are the current performance measures the best way to measure the performance of the current programs?
- How do CDFIs evaluate their own programs, and how do they use program evaluation information to adapt their programs?
- How do CDFI loans compare with other loans in their sectors (housing, small business or micro lending)? Using CIIS data, compare the performance of CDFI loans and investments with the performance of other portfolios that serve similar markets.

## Application Requirements

Submissions should be submitted electronically to [CDFI\\_Research@abtassoc.com](mailto:CDFI_Research@abtassoc.com) by COB on **August 10, 2007**. Applications can be submitted as Word or PDF documents. If you have questions regarding the application or submission process you can contact Eliza Kean at [Eliza\\_Kean@abtassoc.com](mailto:Eliza_Kean@abtassoc.com) or at 301-634-1743, or Mr. James Greer at the CDFI Fund ([GreerJ@CDFI.treas.gov](mailto:GreerJ@CDFI.treas.gov)).

Proposals may be from individual researchers or research teams. Proposals are particularly welcome from teams that include practitioners or that use data to be provided by a practitioner organization within the CDFI industry. An individual researcher may be included on the research team for more than one application. CDFI encourages applications from doctoral candidates to support part or all of their dissertation research, but the research funded by the CDFI must be able to be completed and presented in a paper of publishable quality by March 2008.

Proposals are limited to 12 single-spaced pages (in 12 point type with 1" margins) that include the following:

- Proposal cover sheet that contains the following information:
  - Title of the Project
  - Grant Amount Requested
  - Database(s) of interest
  - Brief (one paragraph) summary of proposal
  - Name(s) and title(s) of members of the research team and Authorized Institutional Representatives (if needed)
  - Mail and E-mail addresses, phone and fax numbers where the above individuals can be contacted during the review process for any clarifying questions
  - Signatures of the members of the research team and Authorized Institutional Representative (if needed)
- Research proposal that addresses the following
  - Policy issue and its importance
  - Brief review of relevant research/policy literature
  - Description of methodology including proposed data set and criteria for selecting data file, sample (e.g., groups used, exclusions to sample, and estimated sample sizes), variables (including selection of variables and rationale for, using them), and analytic techniques
  - Contribution of findings to the policy issue
  - Project work plan including schedule and staffing, and discussion of availability of staffing to carry out the research.

- Proposed budget that includes the following information: *(Note that the budget will not count towards the 12-page page limit.)*
  - All salaries and fees to be covered by the grant
  - All direct costs to be covered by the grant. *(Note that travel costs associated with presenting the paper at the Research Meeting will be covered outside of the grant.)*
  - Any overhead costs to be covered by the grant, with an explanation of why these costs are reasonable and cannot be funded otherwise
- Relevant experience of the proposed researcher(s)
- Brief list of current other support (grants, awards, etc.) and an explanation of whether such support will also contribute to the completion of this research.
- Research team member resumes can be included as an appendix that is not counted towards the 12-page limit.

## Evaluation Criteria

Evaluation criteria will include the importance of the proposed policy issue, the strength of the proposed methodology to address the issue, the ability to carry out the work within the time and budget proposed, and the relevant experience and research record of the applicant. Applicants must show that the specified data set can be used to address the research proposed. Additionally, the review criteria will include the following: Is the policy issue clearly defined? What is already known on the issue? How does the methodology relate specifically to the policy question? Does the applicant know the data set? Does the analytic plan fit the question and the data? Is the applicant qualified to carry out the proposed study?

A panel of experts will score all proposals based on the above criteria. The CDFI Fund reserves the right to fund proposals other than the highest scoring in order to obtain a balance of research topics, methodologies, and data sources.

## Project Schedule

The relevant dates for the Research Initiative are:

- **June 25, 2007** Announcement of the CDFI Research Initiative
- **August 10, 2007** proposals due (7 weeks from announcement)
- **September 21, 2007**, Grant awards announced (6 weeks after proposals due)
- **September 28, 2007** Executed subcontracts with all grantees (1 week after grant awards announced)
  - Monthly progress reports throughout the duration of the grant period
  - December 28, 2007, final project outline due
- **March 28, 2008** Draft papers due (6 months from executed subcontracts)

- **April 25, 2008** Comments on drafts back to grantees (4 weeks to review and comment)
- **June 13, 2008** Revised papers due (7 weeks from receipt of comments).
- **Week of June 23 – 27<sup>th</sup>, 2008** Research meeting in Washington DC.

## Contract Management

By submitting a proposal, all potential Grantees agree that they will sign a subcontract with Abt Associates Inc. that will specify the terms and conditions under which the researcher will be given access to any CDFI Fund data (CIIS or other data) and will require the researcher to present the completed paper at a meeting in Washington, DC in June 2008. The agreement will also specify formatting requirements for the final papers and emphasize CDFI's interest in publishing readable and user-friendly reports. The use of tables, charts, maps and other visual displays of data will be encouraged. The agreement will indicate that sources of project funding and data must be properly cited.

The agreement will also include a specific scope of work for each researcher and a schedule. It will indicate the deliverables that must be submitted to Abt during the study period. Each researcher will be required to submit a brief monthly progress report that outlines the activities conducted during the previous month and to participate in periodic monitoring calls to discuss progress. Midway through the research period, the researchers will submit a revised, final outline for their research papers.

The agreement will also require researchers to submit documented data files along with the final research papers so that the CDFI Fund can verify the results.

While the final papers will be published in a compendium, this *does not* preclude researchers from submitting the papers to journals at the same time.

## Payment

Grantees will receive one-quarter of the total award at the beginning of the grant period, one-half upon acceptance of the draft report, and one-quarter upon acceptance of the final report.